

SENATE BILL REPORT

SJM 8001

As of January 15, 2007

Brief Description: Requesting that Congress amend federal tax law to provide for the more uniform taxation of timber harvests among all private forest ownership structures to encourage ownership structures that promote sustainable forestry and strengthen the ability of the forest products manufacturing sector to compete in a global market.

Sponsors: Senator Jacobsen.

Brief History:

Committee Activity: Natural Resources, Ocean & Recreation:

SENATE COMMITTEE ON NATURAL RESOURCES, OCEAN & RECREATION

Staff: Curt Gavigan (786-7437)

Background: Washington state's total land area consists of approximately 42.5 million acres. Approximately half of the state is forested. Federal, state, and local forestland in Washington totals about 56 percent of its forested acres. Tribes own approximately 7 percent of the state's forestlands. Private individuals and entities own about 37 percent of the state's forested acres.

According to data from the Future of Washington's Forests study produced by the University of Washington and Department of Natural Resources, the forestry and wood products manufacturing sectors provided over 45,000 jobs, generated \$16 billion in gross business revenue, and paid over \$2 billion in wages in 2005. This sector supported almost 1.5 percent of jobs in the state and about 3.2 percent of its gross business income.

Corporations in the United States, including corporations who own timber in Washington, pay federal income tax at rates up to a maximum of 35 percent on income from forestland. Any dividends that corporations pass on to shareholders are then taxed at the dividend rate, which is generally 15 percent.

Individuals and entities such as Real Estate Investment Trusts (REITs) and partnerships do not pay corporate tax. The federal government treats timber income from these organizational structures as capital gains, which are usually taxed at a rate of 15 percent.

Summary of Bill: The Joint Memorial requests that the federal government amend tax law to help sustain working forestlands in Washington state by strengthening the forest products manufacturing sectors' ability to compete internationally and by more uniformly taxing timber harvests for all private forest ownership structures.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.